Urban Development Area Planning & Housing Affordability

Presentation to

Virginia Housing Commission
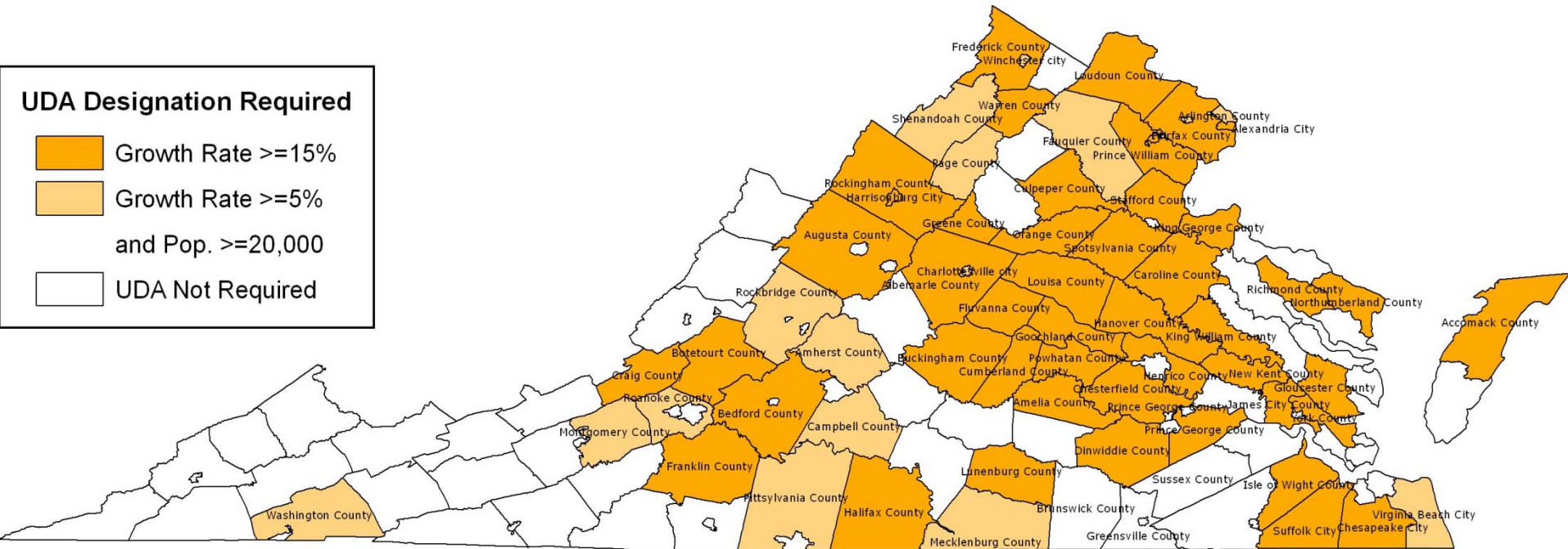
by

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Code of Virginia § 15.2-2223.1

- Requires UDAs in every locality with zoning if population growth during decade

    >= 15% or >= 5% and population >= 20,000

- Minimum UDA density requirements for developable acreage

    Land not used for parks, public ROW, other public land and facilities

    <130,000 population

    - 4 SF, 6 TH, or 12 MFDU per acre

    >130,000 population

    - 8 SF, 12 TH, or 24 MFDU per acre

    Sufficient to meet projected growth over 10-20 years based on VEC projections (BOC and WC do not provide local population projections)

- TND requirements "may include" mixed housing types, with affordable housing to meet the projected family income distributions of future residential growth

- Compliance by July 1, 2012 or January 2013 reported to CLG

Virginia Localities Required to Designate Urban Development Areas

UDA Designation Required

- Growth Rate >=15%
- Growth Rate >=5% and Pop. >=20,000
- UDA Not Required

Frederick County
Winchester city
Loudoun County
Warren County
Shenandoah County
Arlington County
Fairfax County
Alexandria City
Fauquier County
Prince William County
Page County
Rockingham County
Harrisonburg City
Culpeper County
Stafford County
Augusta County
Greene County
Orange County
King George County
Spotsylvania County
Charlottesville city
Albemarle County
Louisa County
Caroline County
Richmond County
Northumberland County
Rockbridge County
Fluvanna County
Accomack County
Hanover County
King William County
Botetourt County
Amherst County
Goochland County
Craig County
Buckingham County
Powhatan County
Cumberland County
Henrico County
New Kent County
Roanoke County
Chesterfield County
Gloucester County
Bedford County
Amelia County
Prince George County
James City County
Montgomery County
Campbell County
York County
Prince George County
Franklin County
Dinwiddie County
Lunenburg County
Sussex County
Isle of Wight County
Washington County
Pittsylvania County
Halifax County
Brunswick County
Virginia Beach City
Mecklenburg County
Greensville County
Suffolk City
Chesapeake City

All localities with a growth rate of over 15% or a growth rate of 5% and a population of at least 20,000 are required to designate at least one Urban Development Area in the comprehensive plan by 2011.

Implementing UDA

Population Projection

- VEC projections mandated
  - Infrequently revised
  - Methodology and assumptions should be reviewed
  - Birth cohort analysis of several communities indicate unexplained shifts in net migration
- Best if using cohort-survival model with age and race detail

Institutionalized and GQ Population

- People not living in households are classified as living in group quarters or institutions
- Requires context-specific consideration
- UDA requirement only allows inmate populations to be excluded, thus projections could be distorted by
  - Military in group quarters
  - Students in dormitories
  - Long-term care facilities

Projecting Residential Demand

- Population per household method (inferior)
- Household headship rate method (superior)
- Age structure of the population impacts amount of land needed
  - Young adults influence apartment demand
  - 30 to 45 ages influence family demand for SF detached
  - 45 to 55 ages influence move-up demand
  - 55 to 65 'empty nester' demand
  - 65 to 75 downsizing
  - 75+ shift to higher density with or near services

Demographics of Density

- Household type and income
  - Median income, married couples, $84,400
  - Median income, other families, $38,400
  - Median income, non-families, $37,500
- Household type & density
  - Married-couple families: 92% SF
  - Other families: 77% SF
  - Non-families: 62% SF
- Tenure and density
  - 1 unit structures, % own: 82%
  - 2+ units in structure, % rent: 86%
  - Own units, % 1 unit structures: 96%
  - Rent units, % 2+ unit structures: 55%

Replacement Demand

- Units produced exceed household growth related demand by ~ 20%

- Due to increases in incomes, obsolescence of older housing stock, units lost due to natural causes, and changes in demand for specific locations

- Also subject to restrictions on residential development, which can result in more intense use of existing stock (and higher prices)

Projecting Residential Demand
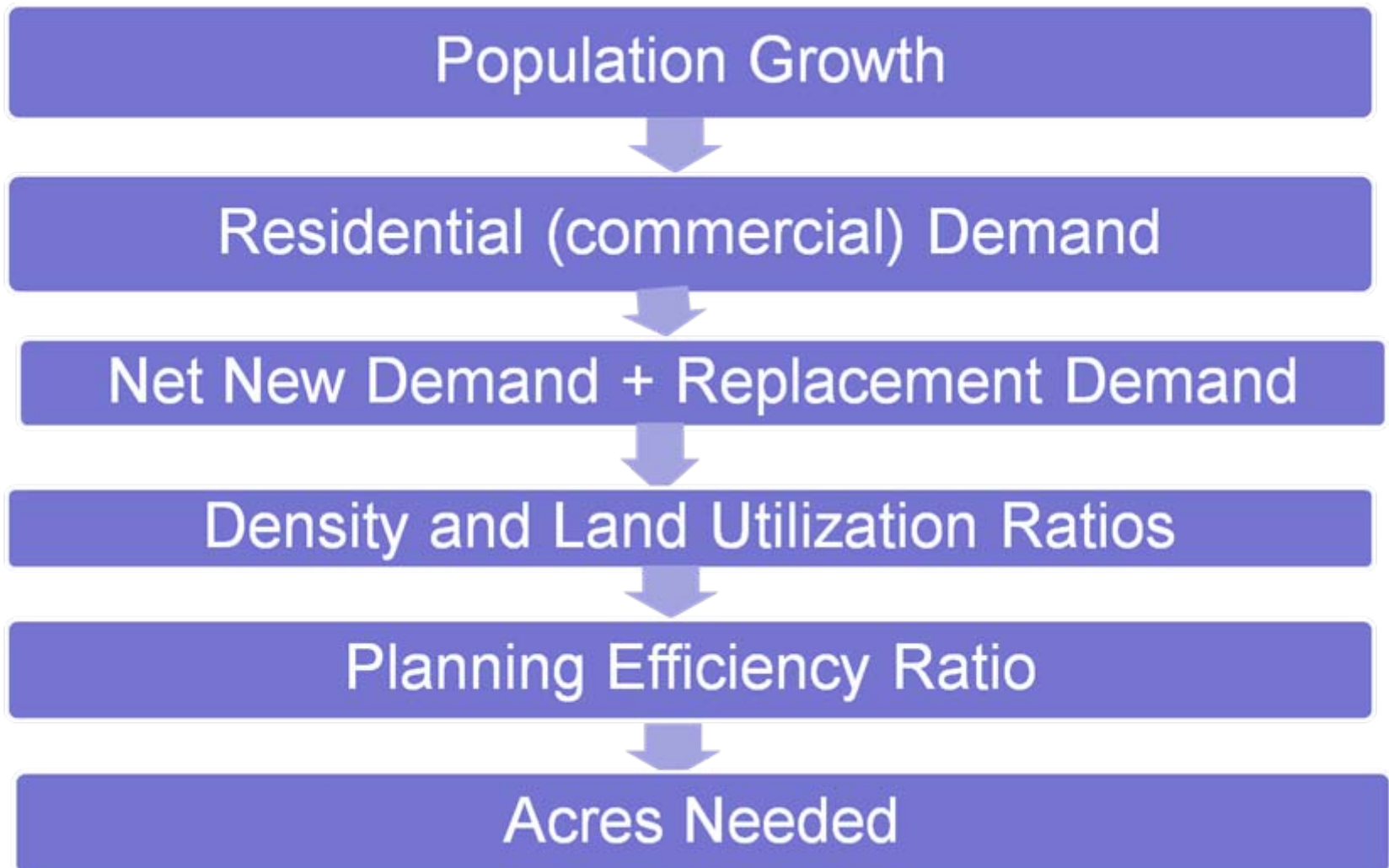
Multi-Criteria Land Planning

Housing Virginia's Affordability Page

- Partnership of Housing Virginia, Center for Housing Research, and the Virginia Association of Realtors®
- Overall housing affordability
  - Single measure combining owner & renter housing
- Owner Affordability
- Renter Affordability
- Affordability at different income levels
  - Median and bottom quartile
  - 80 and 60 percent of median
- Cost Burden
  - Percent paying 30%+ of income for housing

What the HAI Shows

- Bubble and post bubble trends in affordability

- Overall affordability improving, but incomes are declining

- Significant spatial variability in housing affordability across Virginia

The going up <u>wasn't</u> worth the coming down (The Pilgrim, Chapter 33)

- The housing bubble artificially drove prices up considerably faster than incomes
  - Cheap money
  - Poor underwriting
  - High speculation
  - Promotion of ownership
- The bubble burst and the house went under water
  - Price correction and the GC divide
    - Upper GC reset to pre-2005 prices
    - Lower GC reset to late 2005, early 2006 prices
    - Outside GC reset to late 2006 or 2007 prices

Prices in the Golden Crescent
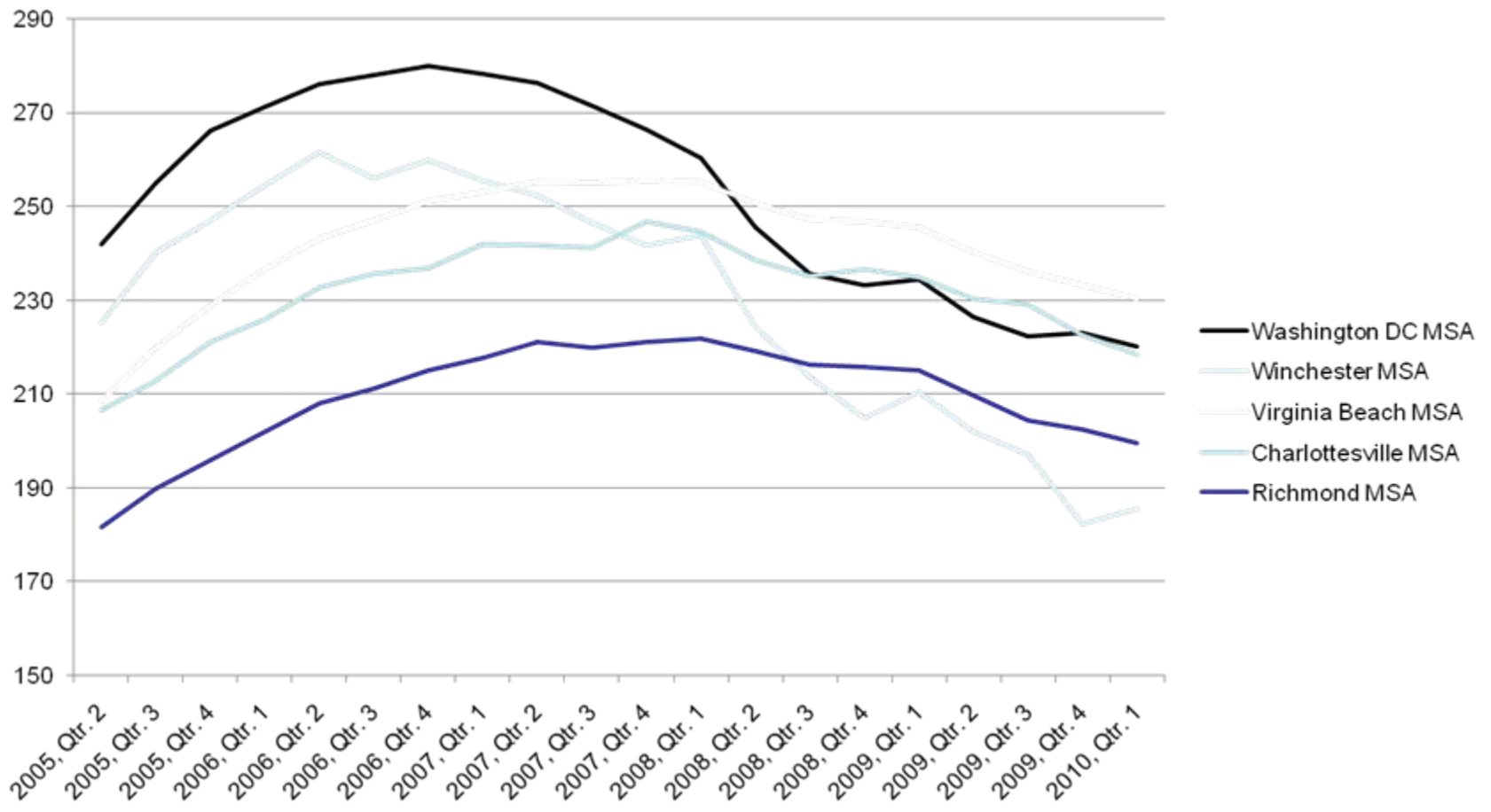
Prices Outside the Golden Crescent
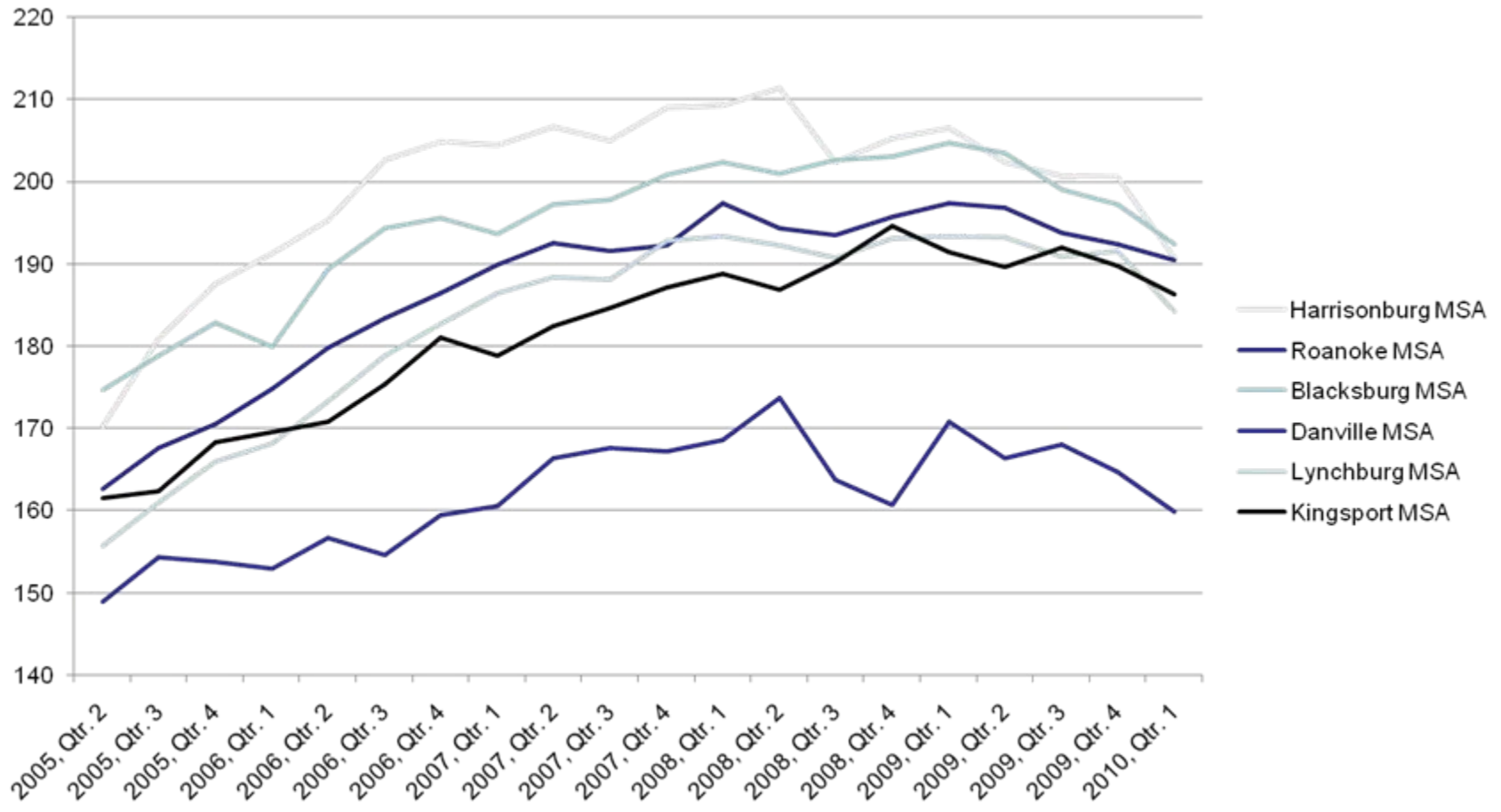
# Housing Affordability Index (at the Median Household Income, 2nd Quarter, 2010)

## Virginia Localities Required to Designate Urban Development Areas

Percent of Income Required

- <20%
- 20 - 24.9%
- 25 - 29.9%
- >=30%
- Non-UDA or Less than 20 Sales
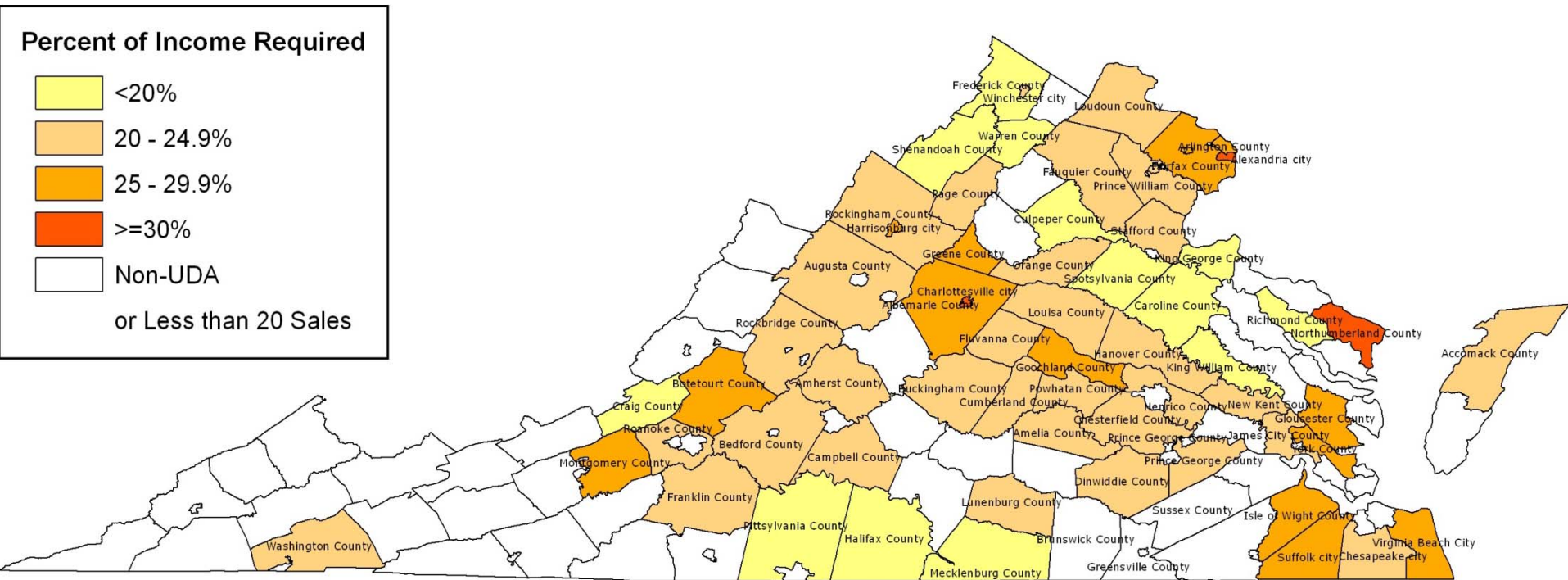
Urban Development Areas: all localities with a growth rate of over 15% or a growth rate of 5% and a population of at least 20,000 are required to designate at least one Urban Development Area in the comprehensive plan by 2011.

The Overall Housing Affordability Index measures the affordability of the typical housing unit based on the typical household income. It is the percent of the median household income required to occupy the median priced dwelling unit.
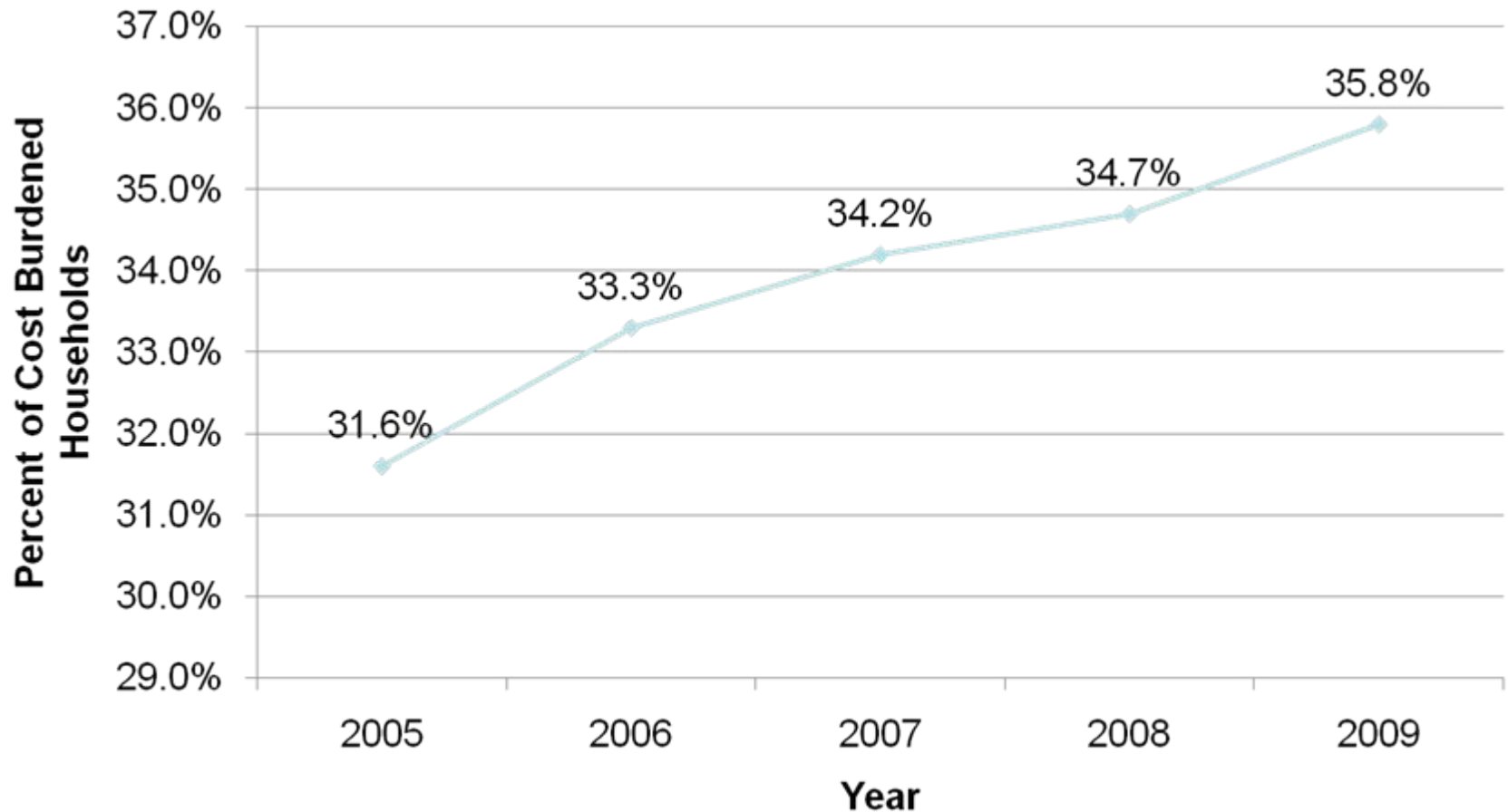
GC MSAs HAI Improved
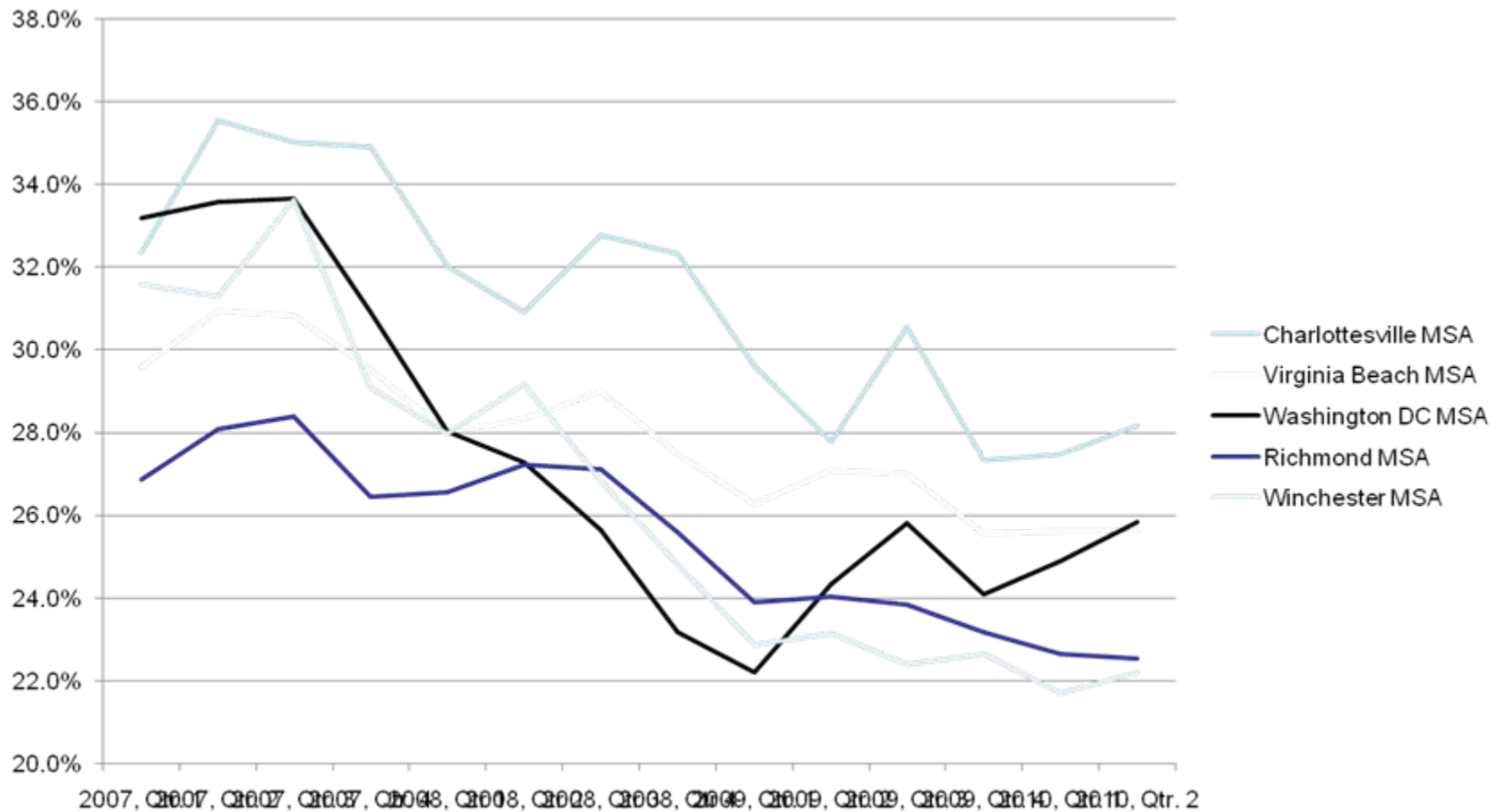
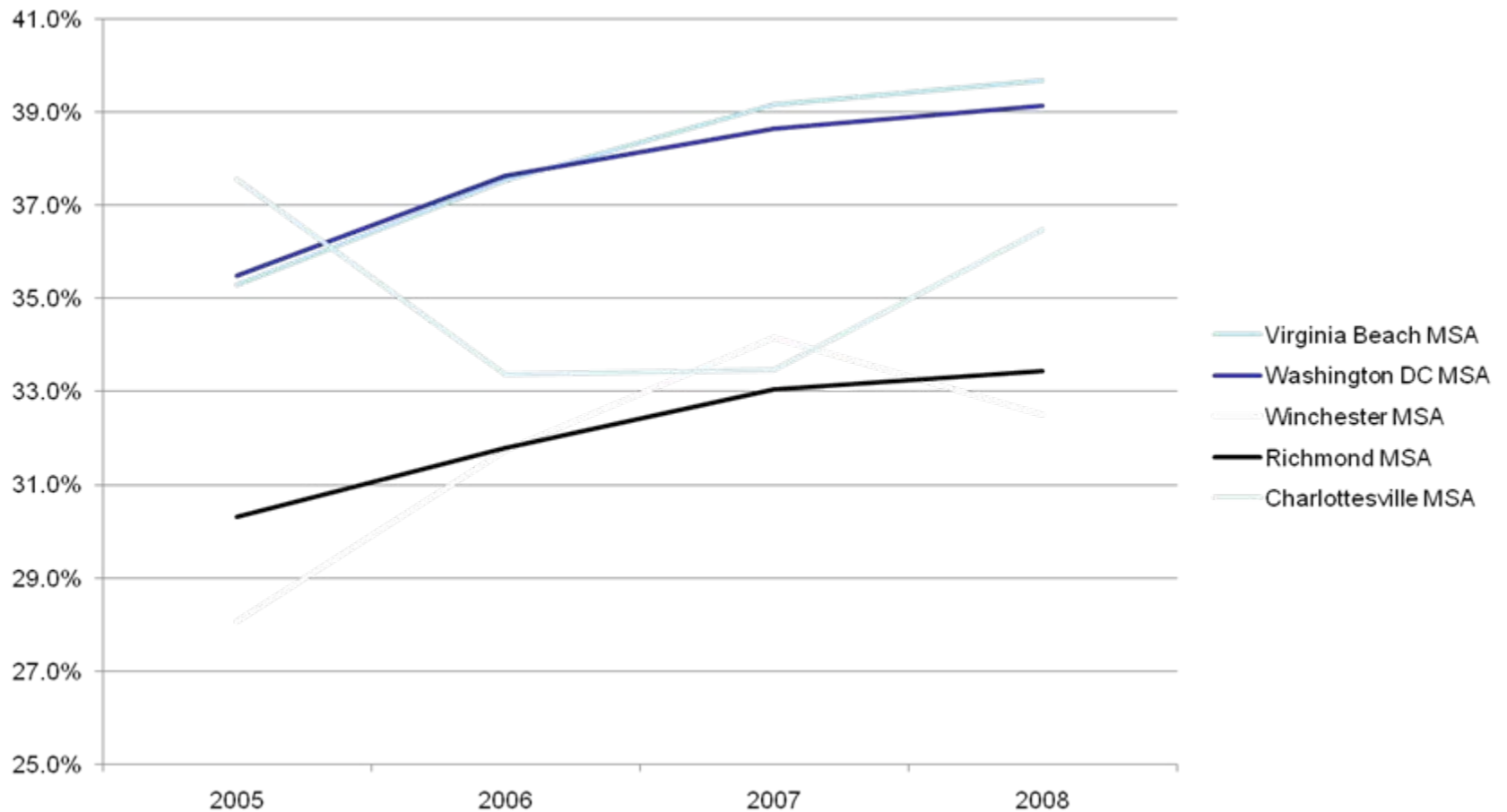# Non-GC MSAs Affordability Didn't Improve as Much
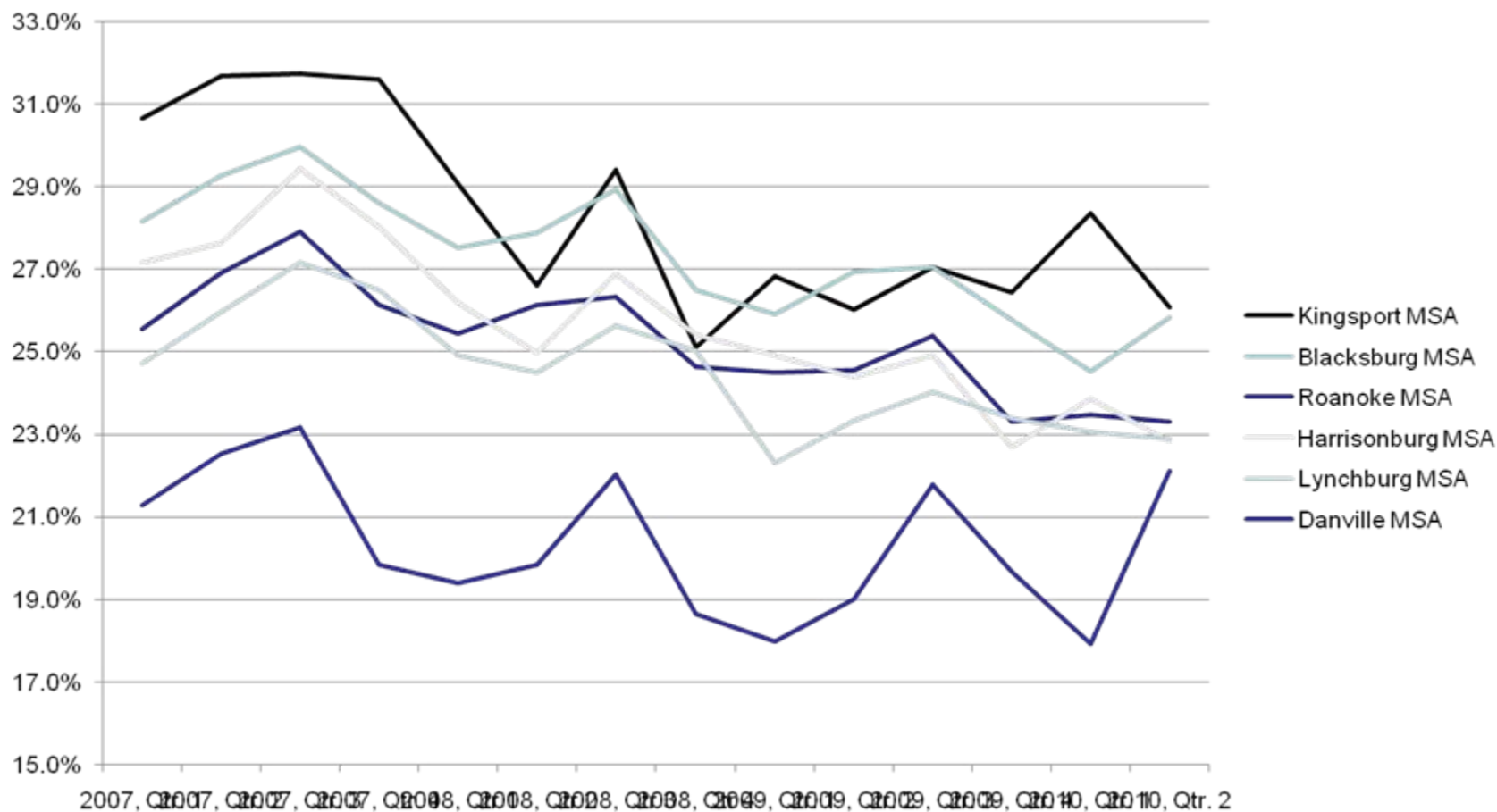
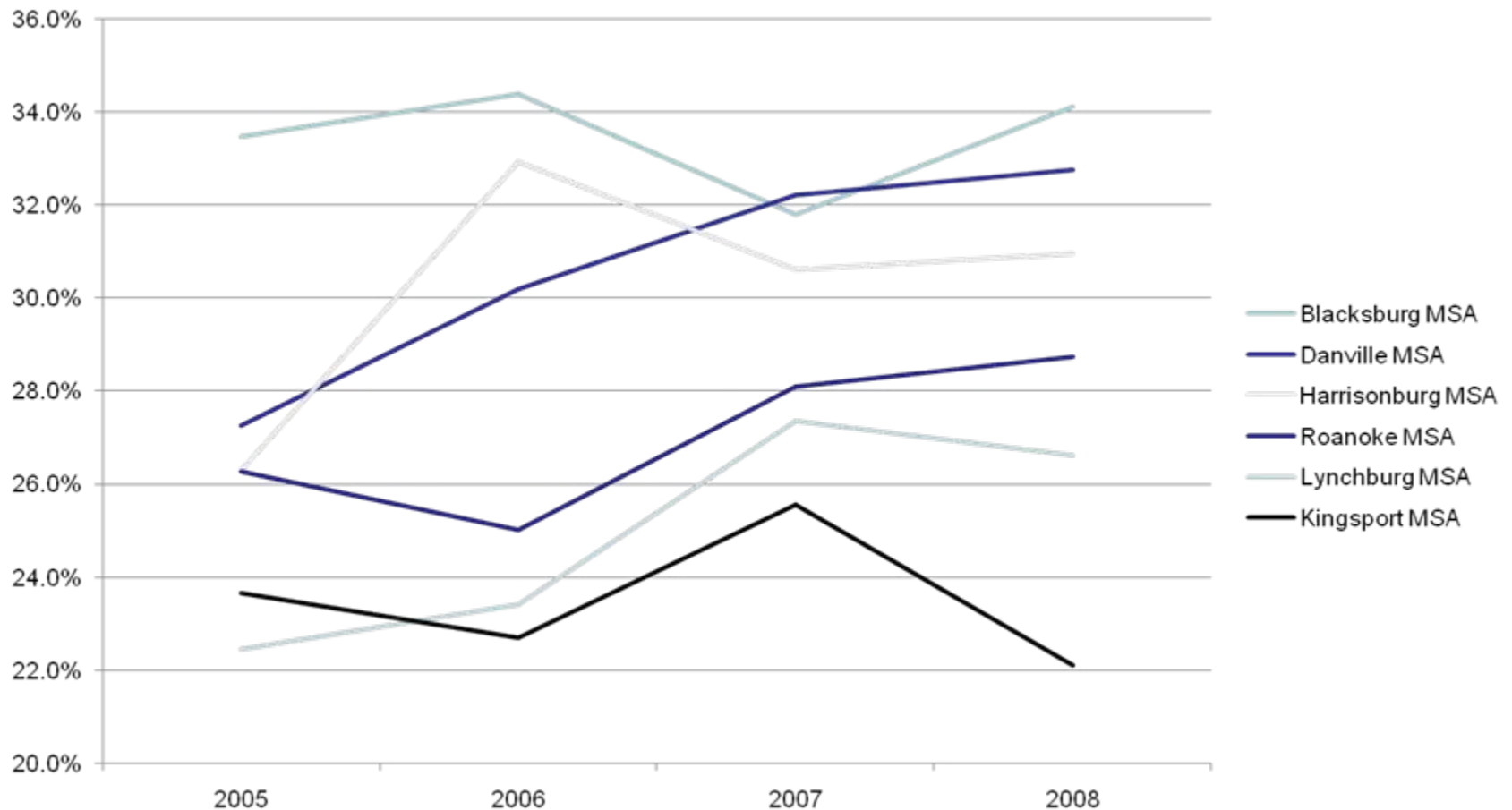# Percent of Cost Burdened Households: 2005-2009 Virginia

Cost Burden Went UP in GC

Outside GC, fewer cost burdened households, but also increasing

Cost Burden, 2008

- Localities with the highest rates of cost burden:
  – Norfolk (47.4%); Portsmouth (45.3%); Richmond (45.1%)
- Localities with the lowest rates of cost burden:
  – Roanoke County (22.5%)
  – Bedford County (22.8%)
- Localities with the most cost burdened households
  – Fairfax County 127,319
  – Virginia Beach 69,972
  – Richmond City 52,108

Why Did HAI Improve When CB Got Worse?

- Affordability improved at the median income (or any percent of the median)
- The bad news: Affordability worsened for the bottom quarter
  - Overwhelmingly in rental housing
  - Incomes have gone down but rents have increased
  - Severe distress and getting worse

The UDA-Affordability Link

- Requires projections for the range of incomes and market segments
- Identify the jobs-housing connection
- Create a diverse housing stock for a diverse population
- Urban centers: infill & refill
- Suburban growth areas: workforce housing
- Reduce uncertainties: better planning & implementation
- Size UDAs for a 15-20 year supply of zoned land at adequate densities
- Improve the nominal to actual efficiency ratio

Optimization Planning

- Improve data and projections
  - Improve population projections and monitor migration trends
  - Nominal acreage requirements for density categories
  - Monitor the planning efficiency ratio
- Use GIS for land scoring
  - In-fill, refill
  - Green fields
- Use multi-criteria optimization algorithms
  - The sum of the parts meet regional demand
  - Find the best density mix to meet land conservation and affordability goals, while maintaining consumer choice
  - Minor shifts in density mixes can reduce residential acreage requirements by 25%